CIA/OSR /MEMO EF 75 APP 1008 2014 MESS E DEFENSE SPENDING 0 SECRET 01

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SEGRET

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MEMO EF 751008

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Phone: x6926

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Classification: SECRET

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Reference



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- ARE SUBJECT TO A NUMBER OF UNCERTAINTIES AND SHOULD BE TREATED ONLY AS ROUGH APPROXIMATIONS. WE CALCULATE THAT CHINESE MILITARY FORCES AND PROGRAMS WOULD COST \$US 25 TO 30 BILLION ANNUALLY IF PURCHASED AND OPERATED IN THE US. THIS SHOULD NOT BE COMPARED WITH GNP ESTIMATES BECAUSE OF DIFFERENCES IN METHODOLOGIES. WHEN THE PROPER ADJUSTMENTS ARE MADE, WE BELIEVE THE DEFENSE SHARE OF GNP TO BE SOMETHING LESS THAN 10 PERCENT.
- 2. MEASURED IN DOLLAR TERMS, THE SHARE OF TOTAL SPENDING APPORTIONED TO EACH SERVICE IS MISLEADING DUE TO OVERPRICING PERSONNEL. A BETTER MEASURE IS THE ALLOCATION OF PROCUREMENT COSTS. OF THE ESTIMATED \$US 3 TO 4 BILLION IN ANNUAL PROCUREMENT COSTS

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(EXCLUDING THE \$US 1 TO 2 BILLION ESTIMATED FOR RDT&E), WE FIND THAT THE ARMY RECEIVES ABOUT 35

PERCENT, THE NAVY 30 PERCENT, THE AIR FORCE 25

PERCENT, AND COMMAND AND GENERAL SUPPORT 10 PERCENT.

CONSTRUCTION OF MILITARY FACILITIES IS BELIEVED TO COST LESS THAN \$US 1 BILLION YEARLY.

THAT THERE HAS BEEN 25X1C

LITTLE INCREASE IN DEFENSE SPENDING AND THAT DEFENSE

AS A PERCENTAGE OF GNP HAS DECLINED. A MORE COMPLETE

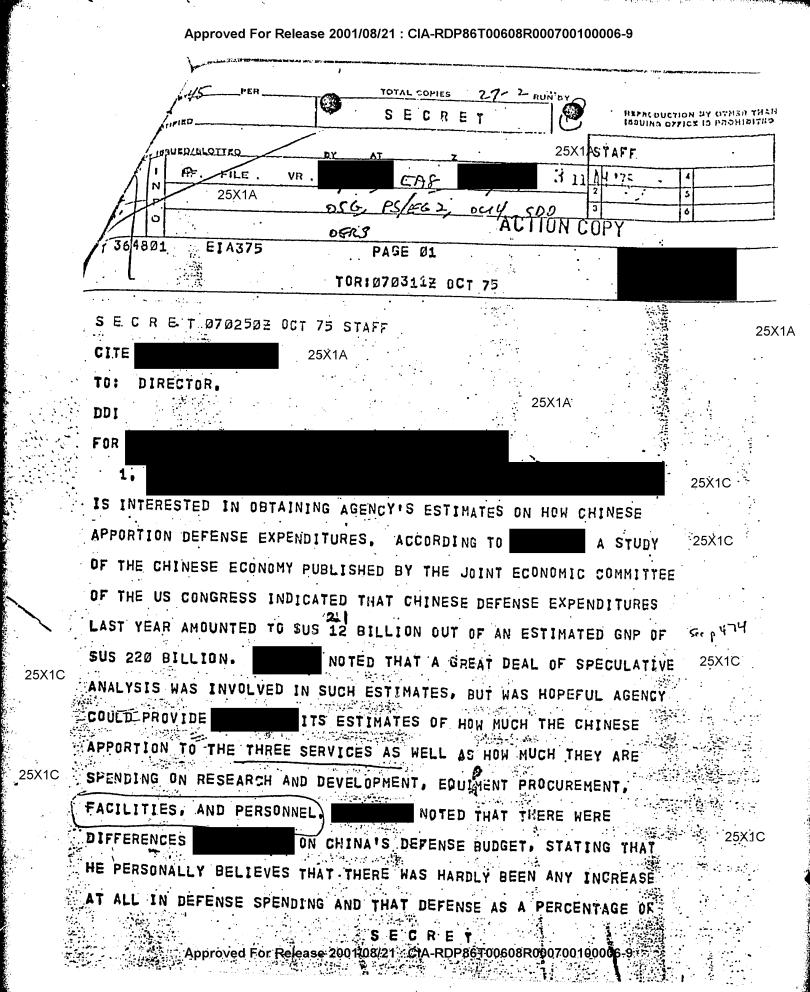
EXPOSITION OF OUR VIEWS CAN BE FOUND IN THE ARTICLE

BY

IN THE JOINT ECONOMIC COMMITTEE 25X1A

STUDY CITED IN THE REFERENCE.

END OF MESSAGE



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THE GNP HAS DECLINED. HE THOUGHT DATA PROVIDED BY WASHINGTON
COULD HELP RESOLVE SOME OF THESE DIFFERENCES.

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CAN PROVIDE.

WOULD APPRECIATE ANY INFORMATION HOS

IS A PARTICULARLY USEFUL AND COOPERATIVE

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CONTACT. EZ IMPDET.

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